



GOVERNOR ARNOLD SCHWARZENEGGER

April 29, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
U. S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable John A. Boehner
Minority Leader
U. S. House of Representatives
Washington, DC 20515

Dear Senator Reid, Senator McConnell, Madam Speaker, and Mr. Boehner,

Congress is appropriately continuing its focus on mitigating the economic slowdown, and I appreciate your efforts in this regard. I believe the rebate checks, business tax incentives and temporary housing cap increases will be extremely helpful, but fear this may still be insufficient to generate the soft landing we all want to see.

Unfortunately, the housing and credit crisis continues to be a significant drag on economic activity in California and across the nation. Even with the historic actions taken by Congress, the federal administration and private sector lenders, foreclosure activity is at record levels in many states.

The nation has also experienced three consecutive months of significant job declines, with California's jobless rate now at 6.2 percent. The U.S. House has already begun work on providing additional federal assistance for long-term unemployed individuals and, as I have previously indicated, I strongly support this effort.

As Congress reviews the economic situation and considers further action, I must renew the call of the nation's governors that any further federal economic stimulus legislation includes countercyclical assistance to states. The National Governors Association has promoted a state assistance package that includes grants to states along with a temporary increase in the federal medical assistance percentage, and I solidly support this proposal.

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I also urge you to take action to help alleviate the continued decline in housing and the associated credit crunch. The initial increase in Federal Housing Administration (FHA) and government-sponsored enterprise (GSE) loan limits was critically important for high-cost states like California, and some level of higher caps should be made permanent. Congress should also implement an expanded FHA guarantee program that helps at-risk borrowers refinance into more affordable mortgages. In California, we have been proactive in getting lenders to work with troubled borrowers, and I urge Congress to continue its efforts to simplify mortgage workouts, while not unduly rewarding speculators or fostering imprudent credit and lending practices. Finally, a boost in qualified mortgage bond caps to states, tax incentives to first-time homebuyers and temporary assistance to homebuilders to mitigate operating losses can also help foster a more orderly transition in the housing and credit markets.

I recognize that no assistance package can, or should, eliminate necessary adjustments in the economy. However, I do believe that the sooner a full package of economic incentives and assistance can be enacted, the greater the likelihood of success in reducing the length and depth of the current economic downturn. I look forward to working with all of you to help achieve this goal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Arnold Schwarzenegger', written over a horizontal line.

cc: The Honorable Henry M. Paulson
The Honorable Roy A. Bernardi
Members of the California Congressional Delegation